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# **Canada**

## **Agricultural Situation**

### **This Week in Canadian Agriculture, Issue 3**

### **2003**

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#### **Report Highlights:**

Canada Expects U.S. to Comply with WTO Byrd Decision \* BC Lumber Trade Council Reaction to Byrd Amendment WTO Ruling \* Alberta Forest Products Association Responds to 'Aldonas Report' \* Canada Extends Poultry Meat Ban to Include Nevada \* Potato Production Revised Downward \* Food Marketers Exploit New Nutrition Labeling Provisions \* Canadian Grain Commission Begins Consultations on Proposed Variety Eligibility Declaration System \* More Border Protests Planned by Farmers \* Vancouver Grain Terminals and Grain Workers Union Reach Arbitrated Agreement \* Ontario Wheat Board Throws out Processor Pricing Agreement \* New Insect Pests in Ontario \* Taiwan Sugar Company Scraps Hog Facility \* Extra Year for Canadian Adaptation and Rural Development Fund  
...and MORE!

Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1], CA

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives. Substantive issues and developments are generally also reported in detail in separate reports from this office.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

CANADA EXPECTS U.S. TO COMPLY WITH WTO BYRD DECISION: In a January 16, 2003 news release

from the Department of Foreign Affairs and International Trade (DFAIT), the Government of Canada detailed the World Trade Organization (WTO) Appellate Body Report that confirms that the U.S. Byrd Amendment, also known as the Continued Dumping and Subsidy Offset Act of 2000, violates international trade law. "We welcome this appeal decision," said Minister Pettigrew. The news release states that if the Byrd Amendment were maintained, duties imposed on Canadian softwood lumber imports could be distributed directly to U.S. producers. "The Amendment gives U.S. producers an unjustified and potentially trade distorting advantage by offering them an incentive to file for anti-dumping and countervailing duty investigations since they would receive a share of the duty, as we have seen in the softwood lumber dispute," added Minister Pettigrew. "We expect that the United States will comply with this decision."

**BC LUMBER TRADE COUNCIL REACTION TO WTO RULING ON BYRD AMENDMENT:** According to a January 16, 2003 news release from the BC Lumber Trade Council, Canada's position in the ongoing softwood lumber dispute with the United States is being further strengthened by the ruling from the World Trade Organization. The BC Lumber Trade Council, which represents companies responsible for almost half of Canada's softwood lumber shipments to the U.S., welcomed the WTO Appellate Body's ruling on the so-called Byrd Amendment. "This is more than just another victory for Canada," said John Allan, President of the BC Lumber Trade Council. "This sends the signal to the U.S. that Canadian softwood producers have every right to free and unfettered access to the U.S. market," Allan said. "The WTO Appellate Body has recognized that the Byrd Amendment completely disregards international trade law. The Byrd Amendment is simply an act of protectionism by the U.S.," Allan said. "The evidence is mounting that U.S. protectionist measures such as this will not stand up and that the U.S. must reach a fair and honorable resolution of this dispute with Canada, their largest trading partner," Allan said.

#### ALBERTA FOREST PRODUCTS ASSOCIATION RESPONDS TO 'ALDONAS REPORT':

In a January 16 news release, the Alberta Forest Products Association (AFPA), representing lumber, pulp and paper, panelboard and secondary manufacturers in Alberta expressed disappointment with the report by the U.S. Commerce Department, concluding the document failed to establish a framework for a long-term solution to the softwood lumber dispute. "The draft Aldonas report - in its current form - is one that the Alberta forest industry cannot support, because it does not recognize forest policy elements that are fundamental to Albertans," said Trevor Wakelin, Chairman of the AFPA Softwood Lumber Trade Council. "We would hope the United States will reflect on how this document clearly lacks appreciation for Canada's system."

Wakelin stated, "the Alberta forest industry is prepared to work cooperatively to find a workable solution, but with a view any changes would cause the least impact on our industry and the jobs and economic benefits it brings to our province. This report, as written, is unacceptable and is not the foundation for a long-term solution." "The U.S. allegations are simply misguided. In Alberta, forest companies spend millions of dollars each year on reforestation, environmental care, road construction, public involvement, forest inventories, management planning and other areas, in addition to payments to the province in the form of stumpage fees. American forest companies have many of these costs covered by their governments as part of U.S. stumpage agreements," added Wakelin. The Alberta forest industry continues to support the legal process that has been launched through the World Trade Organization and the North American Free Trade Agreement.

**CANADA EXTENDS POULTRY MEAT BAN TO INCLUDE NEVADA:** The Canadian Food Inspection Agency's ban on imports of poultry meat and poultry meat products from California now includes Nevada following the discovery of Newcastle disease in poultry flocks in those States. Meanwhile, U.S. animal health officials implement control measures for Exotic Newcastle Disease. USDA has instituted quarantine zones that serve as a buffer around the affected area in Southern California and in Southern Nevada. The department has also declared an extraordinary emergency to provide additional resources and authorities to an eradication campaign.

**POTATO PRODUCTION REVISED DOWNWARD BUT STILL 10% ABOVE 2001:** Statistics Canada lowered its estimate of Canadian 2002 potato production to 4.6 million metric tons (102,416,000 cwt.) down 1.5% from 4.7 million metric tons (104,113,000 cwt.) last November. However, production at 4.6 million metric tons still outpaced the 2001 level of 4.2 million metric tons by 10%. Yields in 2002 were higher, 243.7 cwt./acre (27.29 tons/hectare) than in 2001, but down from 2000's average yield of 255.9 cwt./acre (28.69 tonnes/hectare). Export demand for fresh and processed potato products (mostly frozen french fries) continues to drive Canadian potato acreage and production increases. In the period from 1991 to 2001, Canadian potato production rose 49%. For this same period, the exports of processed potato products went from 235 million pounds (106,512 MT) to 1,611 million pounds (730,593 MT). For more on Canada's frozen french fry industry, see the Frozen French Fry Report, CA2127.

**FOOD MARKETERS EXPLOIT NEW NUTRITION LABELING PROVISIONS:** According to a story in the *Globe and Mail*, food marketers in Canada have immediately taken advantage of a provision in Canada's new nutrition labeling regulations which for the first time, permit for the diet-related health claims. Canadian food marketers are launching new campaigns made possible by the important policy shift at Health Canada that came into effect on Jan. 1. The *Globe and Mail* says that Unilever Canada was first out of the gate and launched a national campaign trumpeting its Becel margarine as a healthy alternative to butter. Prior to the regulatory change, Becel had to rely on its craftily worded slogan -- "Becel takes your health to heart" -- to get its point across. Other companies will be quick to follow. General Mills Canada is reportedly ready to redesign its Cheerios box to feature a heart-healthy message and Kellogg Canada, is reportedly reviewing its brands to determine which are appropriate for health-oriented advertising. Under Canada's new nutrition labeling regulations, U.S. food products exported to Canada must meet the same labeling requirements as foods produced in Canada. Under the new regulations, producers of prepackaged foods will have to declare the number of calories and the amount of fat, saturated and trans fats, cholesterol, sodium, carbohydrate, fiber, sugars, protein, vitamins A and C, calcium and iron in a specified amount of food. For more information, see CA3001.

**CANADIAN GRAIN COMMISSION BEGINS CONSULTATIONS ON PROPOSED VARIETY ELIGIBILITY DECLARATION SYSTEM:** According to a January 20, 2003 news release from the Canadian Grain Commission (CGC), the CGC is holding consultations with all sectors of the grain industry as well as grain producers and to provide input until March 31, 2003 on a proposal to modify Canada's grain handling and quality assurance system. Currently, classes and types of grain are kept separate in the handling system through visual identification. Because an increasing number of grains are visually indistinguishable, the CGC proposes using variety eligibility declarations to segregate grain. "Variety eligibility declaration would support the quality assurance system, give producers more choice in what they grow and sell, and offer more choices to customers," says Terry Harasym, CGC assistant chief commissioner. "Over the next two months, we intend to explore this concept with producers and other stakeholders." A discussion paper on the use of variety eligibility declarations is available on the CGC's web site at:  
[http://www.grainscanada.gc.ca/Pubs/discussions/ved/vedpaper\\_e.pdf](http://www.grainscanada.gc.ca/Pubs/discussions/ved/vedpaper_e.pdf)

**BARLEY COMMISSION RECEIVES RESPONSE FROM CWB TO JOINT LETTER:** According to the winter 2002 edition of the Alberta Barley Commission (ABC) *Barley Country*, in the fall 2002 issue of *Barley Country* an open, joint letter by the ABC, the Western Barley Growers Association and the Western Canadian Wheat Growers Association to the Canadian Wheat Board (CWB) claimed that, not including an allocation of interest earnings to the feed barley pool, the CWB monopoly system caused a loss of up to \$67/tonne (based on Lethbridge prices), depending on where the grain was sold from. The central argument in the response from the CWB was that the ABC used Lethbridge feed barley market prices of C\$150-160/tonne instead of C\$120-130/t for deliveries to the Peace River region, the primary source to the CWB barley pool in 2001/02. In response to the reply from the CWB, the ABC stated that it did not assume all the barley was delivered from the Lethbridge area, and provided net returns using the Peace River area as the relevant reference. A farmer with barley to sell in the Peace River area of High Prairie, Alberta would have been able to get C\$150-160/t from the "offboard" market the Southern Alberta price less transportation costs from High Prairie to southern Alberta of approximately C\$25/t, receiving, net, roughly C\$135-145/t at the bin. On the other hand, if that same farmer delivered his feed barley to the CWB, excluding the C\$45/t subsidy that was added from interest earnings, his return would be as follows: CWB PRO (Now final) C\$180/t minus interest earnings not attributable to market place C\$45/t minus transportation and handling C\$47/t, receiving, net, at the bin C\$88/t. The ABC concluded, stating "one can only conclude that even from the Peace region, as far away from southern Alberta as it is, the less than stellar performance of the CWB marketing powerhouse yielded C\$47-57/t less than the open domestic market, or approximately one-third of the market value of the grain."

**MORE BORDER PROTESTS PLANNED BY FARMERS FOR JUSTICE:** According to the January 20, 2003 edition of *Agriweek*, Farmers for Justice, the group that spearheaded border demonstrations and protests in 1995 and 1996, is undergoing a re-birth. The organization is planning another round of border demonstrations for this spring or summer. But the demonstrators are not aiming to be sitting ducks for the sort of savage persecution that landed 13 of them in jail last fall. An idea being circulated is that several hundred farmers could each contribute a single bushel of wheat to a truckload to be moved across the U.S. border without benefit of a CWB export permit. Law enforcement authorities would then be faced with the prospect of prosecuting hundreds of people for alleged offenses each having a value of a few dollars. No responsible official in the Canadian government would commit millions in legal costs to punish token infractions of legally-dubious rules, unless, according to *Agriweek*, there were "irresponsible government officials acting on fanatic orders."

## VANCOUVER GRAIN TERMINALS AND GRAIN WORKERS UNION REACH ARBITRATED

AGREEMENT: According to the January 20 edition of *Agriweek*, Federal labor mediator Vince Ready completed his arbitrated labor contract for workers at Vancouver grain terminals, members of the Grain Workers Union. Both sides agreed to accept the terms. Details have not been announced, but the contract will run to the end of 2005 and provides wage increases of up to C\$1.74 per hour over the life of the agreement as well as an C\$1,100 bonus for most employees. The agreement removes permanent recall rights for laid-off workers and has provisions to encourage early retirement, but contains no measures wanted by the employers to allow unrestricted shift work. Most employees remained on layoff last week and only about 20,000 tonnes of grain and canola are scheduled to be loaded this week.

ONTARIO WHEAT BOARD THROWS OUT PROCESSOR PRICING AGREEMENT: The Ontario Wheat Board has made numerous changes to its corporate plan and one big move was that the processor pricing agreement has been thrown out, reported the January 21, 2003 edition of *Good Morning Ontario*. Jaye Atkins, general manager of the Ontario Wheat Producers'

Marketing Board, tells farmassist.ca that the Ontario pricing in the past was done by formulation, to provide consistency across the marketplace, a move that some farmers thought favored the processors. But for 2003, the Board is moving into a cash-bid offer system. "We will put up wheat for sale and those buyers with the financial support to go in to buy that wheat, will take it. We do realize the importance of millers in the Ontario industry, but we also realize it is important for the Wheat Marketing Board to maintain the best price possible for producers."

GROWING DEMAND FOR ONTARIO OATS & BARLEY: The January 17, 2003 edition of *Good Morning Ontario* reported that the demand for oats in Ontario is growing. Quaker Oats in Peterborough, Ontario has approached Terry Phillips, Council chair of the Oat and Barley Council of Ontario Council at the Temiscaming Ag Centre in Thornloe, with a request to expand production in the New Liskeard region, even at the cost of other grain crops. Phillips says he's been asked to cut up to 12,000 acres of spring wheat with a similar request for canola and feed barley. "Quaker can't rely on Can-Oat Milling (out West)," says Phillips. "There have been so many changes in the weather and livestock projections, and there are so many people that want to buy those acres out there that Quaker needs a more local, diversified market." There is also the potential for oat malt and an increase in demand and success of growing malting barley in Eastern Canada. As with the oat situation, weather conditions, quality concerns and the relatively high price of transporting western grains is feeding interest in growing malting barley in Ontario. Best of all, the malt barley receives what Phillips calls a 'very attractive premium', and even if the quality doesn't meet the standards, it makes for 'a good, plump barley' to feed livestock or sell for a premium.

REVISED CANADIAN IMPORT POLICY FOR WOOD AND WOOD PRODUCTS: According to the Canadian Association of Importers and Exporters, the Canadian Food Inspection Agency (CFIA) has revised its current wood and wood products import policy,

D-95-14. several new commodity groups (i.e. bamboo products, decorative wood items, seasonal festive wood items and tropical lumber) have been added as well as changes to Plant Health import permit requirements and treatment measures. The resulting policy has been re-numbered, D-02-12, Import requirements of non-manufactured wood and other non-propagative wood products, except solid wood packaging material, from all areas other than the continental United States, and will be effective on March 1, 2003. Policy D-95-14 will remain in effect until March 1, 2003. The new directive is available on the CFIA Forestry website at: <http://www.inspection.gc.ca/english/plaveg/protect/dir/d-02-12e.shtml>

NEW INSECT PESTS IN ONTARIO: The January 22 edition of *Good Morning Ontario*, covering the latest issue of the Ontario Ministry of Agriculture and Food's Hort Matters discusses three new insect pests in Ontario vegetable crops: Swede midge, pea leafminer and the leek moth.

The swede midge only attacks members of the Crucifer/Brassica family. The swede midge is a quarantine pest in Ontario. It was first correctly identified in York county in 2000, which was the first report of this pest in North America. The pea leafminer was first identified in 1998 in the Bradford marsh. The pea leafminer is polyphagous, meaning it can attack at least 15 different crop families. Research indicates that solonaceous crops like potato and tomato are its preferred hosts.

The leek moth, *Acrolepiopsis assectella*, a pest of European origin, was first positively identified in Ontario in 1997. Surveys conducted in 2001 by the Canadian Food Inspection Agency (CFIA) indicate that the insect is present and established in a localized area in eastern Ontario (National Capital Region Ottawa-Hull). This represents the first

report of leek moth in North America.

**CANADA ANNOUNCES RELIEF ASSISTANCE FOR ETHIOPIA:** Susan Whelan, Minister for International Cooperation, announced on January 16, 2003 that Canada, through the Canadian International Development Agency (CIDA), will contribute an additional C\$40 million for emergency assistance in Ethiopia. This brings Canada's total response to the current crisis to \$46.86 million. In addition to a C\$1 million donation from the Sprott Foundation to the Canadian Hunger Foundation, Canada, through CIDA, is providing an additional C\$2 million to this initiative. "Although today's aid package is for emergency response, Canada continues to work with its partners to address the long-term causes of drought and famine in Ethiopia," Minister Whelan said. Minister Whelan, during her travel to northern Ethiopia, will visit World Food Program famine-relief sites.

**TAIWAN SUGAR COMPANY SCRAPS HOG FACILITY:** According to *Agricore*, plans by Taiwan Sugar Co. to build what would have been Canada's biggest hog production operation near Edmonton have apparently been scrapped. Last month the Alberta Court of Appeal overturned approvals earlier granted to the company by the County of Flagstaff, cite of two of the proposed five locations. The court reportedly also approved residential building permits in the vicinity, which would have made the sites unusable for hog barns because of distance restrictions. A well-organized and financed local opposition group carried the case to appeal incurring C\$100,000 in legal fees. The operation would have represented an investment of C\$41 million with capacity for 80,000 sows.

**EXTRA YEAR FOR CANADIAN ADAPTATION AND RURAL DEVELOPMENT FUND:**

Agriculture and Agri-Food Canada has announced a one-year the extension of the Canadian Adaptation and Rural Development (CARD) fund to the end of March 2004. Since 1995, the federal CARD has invested C\$60 million a year in Canada's agriculture and agri-food industry through more than 4,800 projects. The primary objective of CARD is to support a market

driven policy for the agriculture and agri-food sectors by providing measures, other than income support, to help individuals and firms to adapt to structural change and capture emerging opportunities in the marketplace.

Individuals and organizations including groups; farm and agri-food organizations, aboriginal groups; educational institutions and co-operatives are eligible.

Corporations, including provincial crown corporations; as well as provincial and municipal governments or agencies of those governments are also eligible under certain criteria. A listing of recent CARD projects is available at:

[http://www.agr.gc.ca/policy/adapt/index\\_e.phtml](http://www.agr.gc.ca/policy/adapt/index_e.phtml)

**Did You Know ...**that according to Statistics Canada, the value of Canadian agricultural production reached a record high of C\$45.5 billion in 2001, up 5.7% from 2000. The average annual increase from 1991 to 2001 was 5.4%, compared with an average increase of 2.1% from 1981 to 1991.

**Recent Reports from FAS/Ottawa:**

Report Number	Title of Report	Date
CA3004	This Week in Canadian Agriculture, Issue 2	1/17/2003
CA3003	This Week in Canadian Agriculture, Issue 1	1/9/2003
CA3002	Impact of Country-Of-Origin Labeling in Canada	1/8/2003
CA3001	Canada Introduces Mandatory Nutrition Labeling	1/3/2003

**VISIT OUR WEBSITE:** The FAS/Ottawa website is now accessible through the U.S. Embassy homepage. To view the website, log onto [www.usembassycanada.gov](http://www.usembassycanada.gov); click on Embassy Ottawa offices, then Foreign Agricultural Service. The FAS/Ottawa office can be reached via e-mail at: [info@usda-canada.com](mailto:info@usda-canada.com).